

## **PRESS RELEASE: PENSION SCHEMES BRACE FOR DRAMATIC INFLATION INCREASES**

- 83% of pension fund managers expect inflation to increase over the next 12 months
- Almost all (98%) of pension fund managers believe their schemes are already well hedged against inflation

New research\* from Ortec Finance, the leading global provider of risk and return management solutions for pension funds and other institutions, reveals almost six in ten (57%) pension fund managers are predicting further dramatic increases in inflation over the next 12 months. A further quarter (26%) predict a slight increase over the next 12 months.

The international study with pension fund managers responsible for a collective \$1.946 trillion assets under management reveals that they have already taken steps to protect their schemes against inflation by increasing allocations to specific asset classes. Over half (56%) have switched investments to commodities, inflation linked bonds (56%) and infrastructure (51%).

The action taken means almost all (98%) pension fund managers interviewed in the US, UK, Australia, Canada, the Netherlands, Switzerland, and the Nordics believe their scheme is already well hedged against inflation with over half (54%) saying they are 'very well hedged' against this risk.

Pension fund managers say schemes are set to further change allocations in the year ahead, to continue to help hedge against inflation. Over half (53%) plan to increase allocations to inflation linked bonds while nearly half (49%) will switch to commodities and 49% to real estate investment trusts (REITs) over the next 12 months.

The table below shows action taken by pension fund managers on asset allocation to hedge against inflation over the past 12 months and plans for the next 12 months.

<b>ASSET CLASS</b>	<b>PERCENTAGE THAT HAS ALREADY INCREASED ALLOCATION TO HEDGE AGAINST INFLATION</b>	<b>PERCENTAGE THAT PLAN TO INCREASE ALLOCATION IN THE NEXT 12 MONTHS TO HEDGE AGAINST INFLATION</b>
<b>Gold</b>	29%	24%
<b>Commodities</b>	56%	49%
<b>Equities</b>	40%	43%
<b>Inflation linked bonds</b>	56%	53%
<b>Infrastructure</b>	51%	44%
<b>Real Estate Investment Trusts (REITs)</b>	45%	49%
<b>Direct investment into real estate</b>	20%	28%

**Marnix Engels, Managing Director, Pension Strategy Ortec Finance said:** “It’s impressive to see how confident pension fund managers are about the impact of inflation on pension schemes over the next year, particularly as so many predict that inflation will continue its dramatic rise.

“Many schemes have already reallocated to certain asset classes in order to help inflation-proof their portfolio, and more are looking to do so in the next 12 months, as they predict future turbulence and inflation rises in the next 12 months. By modelling and mapping ahead, schemes are able to weather the storm, and overcome any short-term risks while still achieving their long-term objectives.”

Ortec Finance models and maps the relevant uncertainties in order to help pension funds monitor their goals and decisions. It designs, builds, and delivers high-quality software models for asset-liability management, risk management, climate scenario modelling, portfolio construction, performance measurement and attribution, and financial planning.

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**Notes to editors**

\* Independent research company PureProfile interviewed 201 pension fund managers responsible for a collective \$1.946 trillion assets under management based in the US, UK, Australia, Canada, the Netherlands, Switzerland, Denmark, Finland, Norway, and Sweden using an online methodology during June 2022

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## **About Ortec Finance**

Ortec Finance is the leading provider of technology and solutions for risk and return management. It is our purpose to enable people to manage the complexity of investment decisions.

We do this through delivering leading technologies and solutions for investment decision-making to financial institutions around the world. Our strength lies in an effective combination of advanced models, innovative technology, and in-depth market knowledge. This combination of skills and expertise supports investment professionals in achieving a better risk-return ratio and thus better results.

Headquartered in Rotterdam, The Netherlands, we also have offices in Amsterdam, London, Toronto, Zurich, New York, and Melbourne. [www.ortecfinance.com](http://www.ortecfinance.com)